EPE Special Opportunities plc

Report & Accounts | **January 2012**

Audited Report and Accounts for
the Year Ended 31 January 2012

Contents

Biographies of the Directors

Geoffrey Vero FCA

Geoffrey Vero qualified as a chartered accountant with Ernst & Young and then worked for Savills, chartered surveyors, and The Diners Club Limited. He has been active in venture capital since 1985, initially with Lazard Development Capital Limited and then from 1987 to 2002 as a director of Causeway Capital Limited which became ABN Amro Capital Limited. In 2002, he set up The Vero Consultancy specializing in corporate advisory services and recovery situations. He has considerable experience in evaluating investment opportunities and dealing with corporate recovery. While at Causeway Capital, Mr. Vero was a founder director of Causeway Invoice Discounting Company Limited, which was subsequently sold to N.M. Rothschild. He is also a non-executive director of Numis Corporation plc and Chairman of Albion Development VCT plc.

Clive Spears

Clive Spears retired from the Royal Bank of Scotland International Limited in December 2003 as Deputy Director of Jersey after 32 years' service. His main activities prior to retirement included Product Development, Corporate Finance, Trust and Offshore Company Services and he was Head of Joint Venture Fund Administration with Rawlinson & Hunter. Mr Spears is an Associate of the Chartered Institute of Bankers and a Member of the Chartered Institute for Securities & Investment. He has accumulated a well spread portfolio of directorships centring mainly on European private equity but including property and corporate debt. His appointments currently include being Chairman of Nordic Capital Limited, Director of Invesco Leveraged High Yield Fund Limited and sitting on the board of Jersey Finance Limited the local government financial services marketing agency.

Robert Quayle

Robert Quayle qualified as an English solicitor at Linklaters & Paines in 1974 after reading law at Selwyn College, Cambridge. He subsequently practiced in London and the Isle of Man as a partner in Travers Smith Braithwaite. He served as Clerk of Tynwald (the Isle of Man's parliament) for periods totalling 12 years and holds a number of public and private appointments, and is active in the voluntary sector. Mr. Quayle is Chairman of Isle of Man Steam Packet Co Limited and Neville James International Funds PCC plc. His directorships include Axa Isle of Man Limited and Ellan Vannin Fuels Limited as well as companies in the financial services sector. He is also a Commissioner of the Northern Lighthouse Board.

Nicholas Wilson

Nicholas Wilson has over 30 years' experience in hedge funds, derivatives and global asset management. He has run offshore branch operations for MeesPierson Derivatives Limited, ADM Investor Services International Limited and several other London based brokerage companies. He is non-executive chairman of Alternative Investment Strategies Limited, the longest running quoted fund of hedge funds and a constituent of the FTSE All Share Index. In addition, he sits on the boards of a number of other public companies, including Qatar Investment Fund plc. He is resident in the Isle of Man.

Profile of Investment Advisor

EPIC Private Equity LLP ("EPE") was founded in June 2001 and is independently owned by its Partners. EPE focuses on niche investment opportunities throughout the UK with a focus on special situations, distressed, growth and buyout transactions. EPE has completed over 42 transactions in ten years resulting in its current portfolio of businesses with combined turnover of more than £150m and £40m of invested capital. EPE is generally lead investor and takes control positions in its investments, partnering with management and entrepreneurs to leverage financial and operational expertise.

Giles Brand is the founder of EPE. He is currently a non-executive director of a number of portfolio companies: Nexus Industries, an electrical and wiring accessories business; Pharmacy2U, an online pharmacy business; and Palatinate Schools, a group of private nurseries, pre-prep and preparatory schools. Before joining EPE LLP Giles was a founding Director of EPIC Investment Partners, a fund management business which at sale to Syndicate Asset Management plc had US$5bn under management and spent five years working in Mergers and Acquisitions at Baring Brothers in Paris and London. Giles read History at Bristol University.

Dan Roddick has over ten years experience in corporate finance, private equity and strategy consulting; most recently as a consultant and trusted advisor to a number of London-based private equity firms. Prior to EPE, Dan was a Vice President at Campbell Lutyens where he led the marketing of funds across the Nordic region and assisted in raising private equity funds and on the sale and restructuring of private equity assets. Before Campbell Lutyens, he was at McKinsey & Co., working across London, Munich and Amsterdam in the Corporate Finance and Strategy Practice. Dan read Engineering, Economics and Management at Oxford University and is a CFA charter holder.

Charles Vivian previously worked as an Investment Manager at Marwyn Capital, a fund manager specialising in listed, small cap buy-and-build investment strategies, where he led numerous acquisitions and disposals as well as managing the investments in portfolio companies. Prior to Marwyn, Charles worked for over six years as an associate at international law firm Freshfields Bruckhaus Deringer, where he specialised in public and private M&A and capital markets and completed an 18 month secondment at UBS Investment Bank. Charles read Law at Cambridge University.

James Henderson worked in the Investment Banking division of Deutsche Bank before joining EPE LLP. Whilst at Deutsche Bank he worked on a number of M&A transactions and IPOs in the energy, property, retail and gaming sectors, as well as providing corporate broking advice to mandated clients. At EPE LLP James manages the investments in Nexus, Bighead, Palatinate, Pharmacy2U and Indicia. He recently completed the sale of Ryness and Pinnacle Regeneration Group. James has overseen two ESO fundraisings and the acquisition of EPIC plc's private equity portfolio by ESO plc. James is a non-executive director of Indicia and Bighead. James read Modern History at Oxford University and Medicine at Nottingham University.

Alex Leslie worked in Healthcare Investment Banking at Piper Jaffray before joining EPE. Whilst at Piper Jaffray he worked on a number of M&A transactions and equity fundraisings within the Biotechnology, Specialty Pharmaceutical and Medical Technology sectors. Alex read Human Biological and Social Sciences at Oxford University and obtained an MPhil in Management from the Judge Business School at Cambridge University.

Joe Wilson worked as a Strategy and Business Development Manager at Betfair before joining EPE. Whilst at Betfair he led global planning and forecasting for sports, identifying opportunities for growth in customer segments, geographical regions and new sport categories. Prior to Betfair, Joe worked as a Business Analyst at McKinsey & Co., where he worked across a wide range of industries on strategic and operational projects. He manages the Company's investments in Evolving, Past Times and Whittard of Chelsea. Joe read Economics and Management at Oxford University.

Chairman's Statement

The twelve months to January 2012 have again presented a challenging economic environment for the Company. The UK has struggled to recover from its deep recession due to a legacy of both domestic and global unresolved problems. The most pressing of these remains the Euro-zone periphery's debt obligations, which have contributed to significant market volatility throughout 2011 and 2012, although positive developments for the first quarter of 2012 had provided some recent cause for optimism. Despite this, the issues surrounding heavily indebted EU States have yet to fully play out. The fragile global economy inhibits any obvious routes to growth for the UK economy, whilst domestic trends remain poor as demonstrated by the first quarter 2012 GDP contraction of 0.2% indicating a return to recession following December's contraction of 0.3%.

Consumer spending continues to underwhelm, alongside continuing high unemployment and inflation although the latter is beginning to demonstrate signs of improvement. Coupled with the continued reluctance of banks to extend credit, these indicators bode poorly for 2012. These conditions however remain attractive for one area of the Company's investment strategy, special situations, but equally demanding for the Company's core investments. The portfolio has performed satisfactorily, despite the economic environment, with the majority of companies trading in line with budget in their recent financial years. Your Board remain cautious of the prospects for the UK economy in 2012 but optimistic that the coming year may yield opportunities for new special situations, growth, buyout and PIPE (Private Investments in Public Equity) investments.

In June 2011, the underlying investments in both Pinnacle Regeneration Group ("Pinnacle") and Ryness were sold by ESO Investments 1 LP ("the Fund"). The sale of the investment in Pinnacle realised £7.4 million versus a September 2010 acquisition cost of £4.2 million. The sale of the investment in Ryness to Marlowes realised £1.3 million versus a September 2010 acquisition cost of £0.8 million. The profits on the sale of these underlying investments were realised by the Company through its distributions from the Fund. Both realisations were achieved above the Investment Advisor's holding valuations in the Fund, therefore supporting the Net Asset Value ("NAV") of the Company. Together, these sales demonstrate the Investment Advisor's commitment to realising assets and returning cash to the Company, to be utilised for new deals and efficient balance sheet management.

In January 2012, the Investment Advisor exited its investment in Past Times via an administration. Total return on the investment, including £3.1 million previously returned to the Company, equates to 0.6x the cost of the investment. The exit reduces the Company's portfolio allocation to the Consumer and Retail sector from 27% as at 31 July 2011 to 18% as at 31 January 2012, which the directors of the Company view as a positive outcome for the Company given the poor outlook for the UK economy and the retail sector in particular in 2012.

The end-date of The Equity Partnership Investment Company plc ("EPIC plc") in August 2011 resulted in a large number of new shareholders being admitted to the Company's shareholder register. Prior to its end-date, EPIC plc had held 20.1% of the Company's shares and a £10 million convertible loan note ("CLN") issued to part fund the acquisition of EPIC plc's private equity portfolio in September 2010. The convertible loan notes were listed on the PLUS Stock Exchange in July 2011. In line with EPIC plc's stated strategy at the time of the acquisition, these instruments in the Company were distributed pro-rata to its shareholder base on 16 August 2011. The Company welcomes the broadening of the shareholder base.

On 27 January 2012 the Company repurchased 2,594,025 CLNs of £1 each in the Company at a price of 75 pence per CLN inclusive of any interest accrued but unpaid on each such CLN. The Company does not currently intend to cancel the repurchased CLNs. Accordingly, there will be 7,405,975 CLNs in issue excluding the CLNs now held in treasury. On the basis of 31 January 2012 NAV of 89.19 pence the implied gross cover of the CLN has therefore moved from 3.5x to 4.7x and the Company's net debt has reduced to £3.8 million. The Directors of the Company view the early redemption of the CLN and the increased implied asset cover as a positive event.

On 29 February 2012 the Company repurchased 1,000,987 Ordinary Shares of 5 pence each at an average price of 46 pence per share. The Company intends to hold the purchased shares in treasury. The number of Ordinary Shares in issue following the repurchase (excluding treasury shares) is 29,450,653 Ordinary Shares (30,451,640 as at 31 January 2012).

For the year ended 31 January 2012, the Group reported gross income of £63,800 at Group level, with the majority of income from the underlying portfolio companies being received at the Fund level. The total capital increase in net assets was £2.8 million, which translated to a net asset value per share as at 31 January 2012 for the Group of 89.19 pence, an increase of 12.6 per cent. on the net asset value of per share of 79.21 pence as at 31 January 2011. The Board do not believe it appropriate to pay a dividend at this point in time and instead intend to conserve liquidity in order to protect against uncertainty in the broader economic environment and to take advantage of well-priced investment opportunities as they arise.

I would like to thank the Investment Advisor, EPIC Private Equity LLP ("EPE"), as well as my fellow Directors and professional advisors, for their concerted efforts over the last twelve months. I look forward to once again updating you on developments at the half year point.

Geoffrey Vero
Chairman
8 May 2012

Investment Advisor's Report

In the twelve month period since 31 January 2011, the Investment Advisor has focused on maintaining and creating value from within the existing portfolios held by the Company and ESO Investments 1 LP ("the Fund", in which the Company is the largest investor), whilst at the same time seeking out new opportunities by way of platform or bolt-on investment opportunities. All new investments will be made via ESO Investments 2 LP, in which the Company is the sole investor. In addition, the Investment Advisor continues to explore opportunities for adding value to the current portfolio through revenue enhancing and cost saving initiatives as well as seeking to identify appropriate management to optimise performance. Within the context of the current economic climate, the importance of these initiatives is acutely felt.

The underlying portfolio has performed broadly in line with expectations since January 2011, with a number of companies finishing their most recent financial years ahead of budget. Nexus has completed the construction of a new 250,000 sq.ft. factory in China and is already seeing the benefit of accelerated organic growth and margin gains by switching to own production. Meanwhile, Indicia performed strongly in 2011, finishing the year ahead of budget, driven by significant new business wins in the automotive and FMCG sectors. Indicia also achieved an exceptional performance at the 2011 Direct Marketing Association Awards, winning three Gold Awards and becoming the first agency outside of London ever to win the major Grand Prix Award. Indicia continues to target digital acquisitions with strong cross-selling potential. Elsewhere, the newly appointed CEO of Palatinate Schools has made substantial progress since joining in June 2011 and the business is seeking to build on a good performance in the year to 31 August 2011 by continuing to seek growth in both capacity and pupil numbers. Process Components and Bighead have both delivered considerably above budget trading figures in the most recent completed financial years, to 30 June 2011 and 31 December 2011 respectively.

Whittard of Chelsea has made significant progress since January 2011, delivering positive like-for-like retail sales growth across UK (3%), online (37%) and international (52%) channels in the full year. Moving forward, the Company will continue to focus on diversifying its UK retail operation with the planned expansion of its international and wholesale operations. The Investment Advisor is also pleased to announce the recent appointment of Sara Halton, previously CEO of Molton Brown, as the new managing director.

In June 2011, the underlying investments in both Pinnacle and Ryness were sold by the Fund. The sale of Pinnacle realised £7.4 million. The sale of the investment in Ryness to Marlowes realised £1.3 million. In January 2012, the Investment Advisor exited its investment in Past Times via an administration, retaining the web based business only, following a particularly difficult Christmas trading period for UK retailers. The exit will remove a £3.0 million guarantee given by the Company to Lloyds for the working capital facilities provided to Past Times and reduces the Company's portfolio allocation to the Consumer and Retail sector from 27% as at 31 July 2011 to 18% as at 31 January 2012.

Any profits on the sale of these underlying investments are realised by the Company through its distributions from the Fund. The Investment Advisor is also considering the sale of other smaller investments in the portfolio.

The net asset value per share as at 31 January 2012 for the Company was 89.19 pence, calculated on the basis of 30.5 million ordinary shares. Investment highlights from the inception of the Company (16 September 2003) to date include:

- deployed £62 million of capital and returned over £34 million to the Company in capital and income;

- generated gross income of £15 million;

- paid dividends of £5 million;

- the underlying portfolio, as at 31 January 2012, is valued at a gross 1.7x money multiple.

The recovery of the UK economy continues to falter with the recently released first quarter 2012 GDP figures indicating the first double dip recession since the 1970s. Domestically, the mortgage market remains severely depressed and consumer spending continues to flag. Concerns also persist over the lending environment with debt finance in short supply, whilst persistent high inflation and the highest unemployment rate for 17 years continue to squeeze real household incomes. Despite poor domestic trends, the parlous state of public finances means the government is unlikely to come to the rescue. With both the consumer and public sector constrained, the UK needs investment and net trade to drive growth. However, progress towards rebalancing the economy has been mixed with increasingly poor export figures. Meanwhile, contagion from European sovereign indebtedness remains a very real risk, albeit European Central Bank activity has brought some relief. Notwithstanding, significant risks remain. The period therefore continues to be one of consolidation for the Company with a positive focus on creating value in the core investments.

Whilst current economic conditions remain demanding for the Company's underlying portfolio, they are expected to provide opportunities to acquire high quality assets at relatively low prices.

Investment Strategy

The Investment Advisor believes that the current economic environment continues to create a wide range of investment opportunities. As a result, the Investment Advisor continues to use proprietary deal sourcing approaches to obtain these opportunities, as well as engaging actively with the wider restructuring and advisory community to communicate the Company's investment strategy. The Company seeks to target growth and buyout opportunities, as well as special situations and distressed transactions, making investments where it believes pricing to be attractive and the potential for value creation strong. The Company will continue to target the following types of investments:

- Growth, Buyout and Pre-IPO opportunities: leveraging the Investment Advisor's investment experience, contacts and ability. The Company is particularly focussed on making investments in sectors where the opportunity exists to create a unique asset via the consolidation of a number of smaller companies, taking advantage of the lack of liquidity in the SME market and the attraction to secondary buyers of larger operations.

- Special Situations: investment opportunities where the Investment Advisor believes that assets are undervalued due to specific, event-driven circumstances. Target companies may or may not be distressed as a result of the situation. The Investment Advisor will aim to use its restructuring and refinancing expertise to resolve the situation and achieve a controlling position in the target company.

- Distressed Companies: investment opportunities where asset-backing may be available and the opportunity exists for recovery and significant upside. These transactions may involve target companies with a substantial asset base, providing the Company with considerable downside protection. The Company seeks to acquire distressed debt, undervalued equity or the assets of target businesses in solvent or insolvent situations.

- Private Investment in Public Equities (PIPEs): the Company may consider making investments in a number of smaller quoted companies, primarily ones whose shares are admitted to AIM. The Company will either seek to acquire and de-list the target company or make an investment in the ordinary equity of a quoted target company. The Company may offer ordinary shares in the Company as all or part of the consideration for such investments.

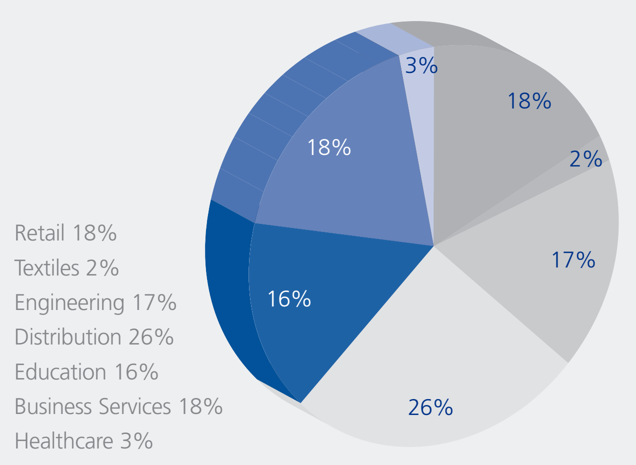
The Company will consider most industry sectors, including consumer, retail, manufacturing, financial services, healthcare, support services and media industries. The Company partners with management and entrepreneurs to maximise value by combining financial and operational expertise in each investment.

The Company will seek to invest between £2 million and £10 million in a range of debt and equity instruments with a view to generating returns through both yield and capital gain. Whilst in general the Company aims to take controlling equity positions, it may seek to develop companies as a minority investor. Occasionally, the Board may authorise investments of less than £2 million. For investments larger than £5 million, the Company may seek co-investment from third parties.

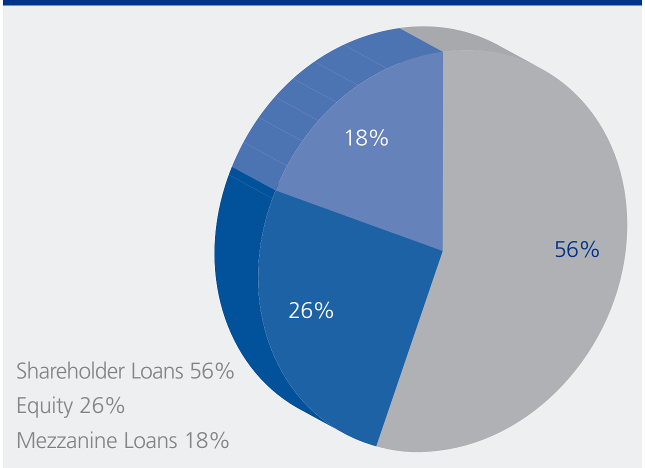
Portfolio Diversification

The Company's current portfolio, as at 31 January 2012, is diversified by sector and instrument as follows:

Sector Diversification



Instrument Diversification



Current Portfolio

Current Portfolio: ESO Investments (PC) LLP

Process Components

Process Components is an engineering parts and equipment supplier. It was formed in June 2009 after a significant industry cut-back in capital expenditure programmes forced a secondary restructuring of Kemutec, formerly a manufacturer of mixing and sifting equipment for the chemical, pharmaceutical and food industries that was originally purchased by the Company in March 2005. Previously constrained by its parent, the new business now supplies higher margin products from a significantly lower cost base. The business has built on a solid first year of independent trading in 2010, with significantly increased sales and EBITDA for the year ending June 2011. Trading to January 2012 has continued at a strong pace and global operations continue to strengthen with increased product lines and marketing activity. The business is seeking further expansion organically by opening an office in Asia to service clients there and also via acquisitions.

Current Portfolio: ESO Investments 1 LP

Nexus Industries

Nexus Industries ("Nexus") is a manufacturer and distributor of electrical accessories in the UK, operating under the brand names Masterplug and British General, and supplies to both the retail and wholesale markets. The business is performing robustly despite current market conditions, although year end December 2011 sales and EBITDA were below budget. The completion of construction of a large freehold factory located in mainland China in 2011 is expected to drive both margin improvement and sales growth over the next three to four years. Nexus is seeking to augment organic growth via the acquisition of suitable companies. However, the state of the UK consumer economy remains a concern.

Palatinate Schools

Palatinate Schools ("Palatinate") operates a group of private preparatory, pre-preparatory and nursery schools based in Central London. The schools have good prestige value and pupil growth is anticipated to remain robust, which will drive sales growth. The Investment Advisor manages Palatinate alongside other private equity investors. A resilient, albeit flat, performance was delivered to 2011 August year end. The focus remains to drive organic growth via improved branding and advertising, and to retain pupils up to the age of 13.

Indicia

Indicia is a direct marketing business focussed on database and multi-channel analytics. Indicia was formed through the acquisition and consolidation of three separate businesses and is currently initiating a partnership with a larger US agency. Performance in the year to December 2011 has been strong with sales in line with budget and EBITDA significantly exceeding budget. This success was driven by new client wins and an increase in higher margin services. Indicia also became the first agency outside of London ever to win the major "Grand Prix" award at the 2011 Direct Marketing Awards, The business continues to target acquisitions with strong cross-selling potential.

Whittard of Chelsea

Whittard of Chelsea, a specialist retailer of tea and coffee, was acquired in December 2008. The initial restructuring of the business was completed in the first half of 2009. The number of stores and overhead base were both significantly reduced with new branding and product packaging now being rolled out to the store network. The business has made significant progress since 2010, demonstrating like-for-like sales growth of 3% in UK retail, 52% internationally and 37% online. Overall sales to year end December 2011 were up considerably on the previous year. With sales and EBITDA increasing despite challenging times for retail, the business is well positioned for continued growth in 2012 and maintains significant potential to develop both the wholesale and international franchising sides of the business.

Bighead Bonding Fasteners

Bighead Bonding Fasteners ("Bighead") is a specialist engineering business manufacturing specialist load-spreading fasteners and fixings for composites, plastics and traditional materials. Trading in 2011 has been strong with significant growth in sales and EBITDA versus December year end 2010, although the recession caused weaker trading in the latter half of 2011. Lean manufacturing principles introduced in 2010 have helped the business increase volumes in 2011. Over the long-term, the Investment Advisor aims to replicate Bighead's local success in high-end niche applications by establishing an international network of distributors for the business's products. The business continues to seek new distribution partners in France, Scandinavia and Benelux.

Pharmacy2U

Pharmacy2U is an online pharmacy business delivering National Health Service and private prescriptions direct to the home using an innovative, in-house developed technology, Electronic Prescription Service ("EPSr2"). The business has experienced significant sales growth since inception, and both sales and EBITDA performance remained strong in the nine months to January 2012. Long term performance remains reliant on the expected roll-out of EPSr2. In the meantime, the business continues to investigate and operate schemes for acquiring practices and patients to the prescription system. The business is currently seeking a new chairman with substantial experience in consumer and retail, as well as healthcare, to lead the next phase of the business's growth.

Other Assets

ESO 1 LP holds investments in three smaller assets: Evolving Media ("Evolving"), Morada and Driver Require.

Evolving is a young and growing integrated digital marketing agency, based in Bedford, UK. To the year end December 2011, Evolving delivered robust performance with EBITDA ahead of budget despite sales being marginally behind. The business continues to win new accounts and opened a London office in Q3 2011. Morada supplies curtains, blinds and PFI contractors. Year end August 2011 sales and EBITDA were below budget due to a weak wholesale market and lower Ministry of Defence sales thanks to public budget cuts. Steps continue to be taken to cut costs. Driver Require is a recruitment business for commercial drivers across all major vehicle categories, based in Stevenage, UK. The recession had a significant impact on the transport sector and Driver Require's target market was particularly affected. As a result, the business broke even in the year to December 2011. Operational costs continue to be minimised and further expansion of branches to new locations has been placed on hold while the market remains weak.

The Past Times Web business was acquired in February 2012 from the administrators of Past Times Trading Limited and will operate as a niche online retailer of retro and nostalgic gifts including jewellery, books and house-wares.

EPIC Reconstruction Property Company II Limited ("ERPC II")

ERPC II holds the property asset of AG Brown Steel. ERPC II receives rental income on the AG Brown Steel property which is located on the outskirts of central Glasgow and consists of two interconnected buildings. No change is planned with respect to the rental agreement in the foreseeable future.

Valuation Methodology

The Company values its investments with reference to the BVCA guidelines which state that portfolio companies should be valued on an EBITDA multiple basis using publicly quoted comparables and/or transaction comparables, then discounting the equity value by an appropriate percentage to account for marketability considerations. Cost may be considered as fair value in some cases but assets will always be held at fair value, whether this is at, above or below cost, and the value of such assets will be reviewed periodically to ensure that such is the case.

The Investment Advisor announces an estimated net asset value per ordinary share on a monthly basis following a review of the valuation of the Company's investments. The Company has always endeavoured to comply with industry-standard guidelines and, as the Fund will be applying the International Private Equity and Venture Capital Valuation Guidelines, for consistency the Board will consider adopting these guidelines going forward. The Company believes that there is unlikely to be any material effect on the valuation process as a result of such a change. The Investment Advisor adopts a conservative approach to valuation with reference to the aforementioned methodology but also having regard for ongoing volatile market conditions and credit restraints.

Report of the Directors

Principal activity

The Company was incorporated in the Isle of Man as an AIM listed public company limited by shares under the Laws with registered number 108834C on 25 July 2003.

The principal activity of the Company and its subsidiaries (together "the Group") and its associate is to arrange income yielding financing for growth, buyout and special situations and holding the investments with a view to exiting in due course at a profit.

Incorporation

The Company was incorporated on the 25 July 2003. The Company's registered office is:

IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP, British Isles.

Details of subsidiaries are provided in note 24.

Results of the financial year

Results for the year are set out in the Consolidated Statement of Comprehensive Income on page 15 and in the Consolidated and Company Statements of Changes in Equity on page 18 and 19.

Distribution and Dividends Policy

The Board does not recommend a dividend in relation to the current year (see note 8 for further details).

Corporate Governance Principles

As an Isle of Man registered company and under the AIM rules for companies, the Company is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council ("Code"). The Directors, however, place a high degree of importance on ensuring that the Company maintains high standards of Corporate Governance and have therefore adopted the spirit of the Code to the extent that they consider appropriate, taking into account the size of the Company and nature of its operations. This includes a periodic internal evaluation of board performance.

The Board holds at least four meetings annually and has established audit and investment committees. The Board does not intend to establish remuneration and nomination committees given the current composition of the Board and the nature of the Company's operations. The Board reviews annually the remuneration of the Directors and agrees on the level of Directors' fees.

Composition of the Board

The Board currently comprises four non-executive members all of whom are independent non-executive directors. Geoffrey Vero is Chairman of the Company, Clive Spears is the Chairman of the Risk and Audit Committee and Nicholas Wilson is Chairman of the Investment Committee.

Risk and Audit Committee

The activities of the Risk and Audit Committee continued, members of which are Clive Spears (Chairman of the Committee) and all the other Directors. The Risk and Audit Committee provides a forum through which the Company's external auditors report to the Board.

The Risk and Audit Committee meets twice a year, at a minimum, and is responsible for considering the appointment and fee of the external auditors and for agreeing the scope of the audit and reviewing its findings. It is responsible for monitoring compliance with accounting and legal requirements, ensuring that an effective system of internal controls in maintained and for reviewing annual and interim financial statements of the Company before their submission for approval by the Board. The Risk and Audit Committee has adopted and complied with the extended terms of reference implemented on the Company's readmission in August 2010.

The Board is satisfied that the Risk and Audit Committee contains members with sufficient recent and relevant financial experience.

Investment Committee

The Board established an Investment Committee, which comprises Nicholas Wilson (Chairman of the Committee) and all the other Directors. The purpose of this committee is to review the portfolio of the Company and evaluate the performance of the Investment Advisor.

The Board is satisfied that the Investment Committee contains members with sufficient recent and relevant financial experience.

Significant holdings

Significant shareholdings are analysed on page 36. The Directors are not aware of any other holdings greater than 3% of issued shares.

Directors

The Directors of the Company holding office during the financial year and to date are:
Mr. G.O. Vero (Chairman)
Mr. R.B.M. Quayle
Mr. C.L. Spears
Mr. N.V. Wilson

Secretary

The secretary of the Company holding office for the financial year ended 31 January 2012 was Mr. P.P. Scales.

Staff

At 31 January 2012 the Group employed no staff (2011: none).

Auditors

Our auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

On behalf of the Board

Nicholas Wilson
Director
8 May 2012

Statement of Directors' Responsibilities

in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that its financial statements comply with the Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Report of the Independent Auditors, KPMG Audit LLC, to members of EPE Special Opportunities plc

We have audited the financial statements of EPE Special Opportunities plc for the year ended 31 January 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Assets and Liabilities, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 January 2012 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been properly prepared in accordance with the provisions of Companies Acts 1931 to 2004.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Parent Company and proper returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's Statement of Assets and Liabilities and Statement of Comprehensive Income are not in agreement with the books of account and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

KPMG Audit LLC
Chartered Accountants
Heritage Court, 41 Athol Street, Douglas
Isle of Man IM99 1HN
8 May 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2012

Note		Revenue	Capital	31 January 2012 Total	31 January 2011 Total
		£	£	£	£
	Income				
	Rental income	63,800	-	63,800	63,800
4	Interest income	-	-	-	1,019,904
	Total income	**63,800**	**-**	**63,800**	**1,083,704**
	Expenses				
5	Investment advisor's fees	-	-	-	(230,933)
5	Administration fees	(40,628)	-	(40,628)	(44,319)
6	Directors' fees	(102,500)	-	(102,500)	(100,000)
	Directors' and Officers' insurance	(7,590)	-	(7,590)	(11,813)
	Professional fees	(62,990)	-	(62,990)	(65,204)
	Board meeting and travel expenses	(10,136)	-	(10,136)	(4,997)
	Auditors' remuneration	(27,730)	-	(27,730)	(28,636)
	Bank charges	(347)	-	(347)	(536)
	Irrecoverable VAT	(124,288)	-	(124,288)	(122,209)
	Sundry expenses	(40,232)	-	(40,232)	(95,192)
	Nominated advisor and broker fees	(26,257)	-	(26,257)	(32,054)
	Total expenses	**(442,698)**	**-**	**(442,698)**	**(735,893)**
	Net income/(expense)	**(378,898)**	**-**	**(378,898)**	**347,811**
	Gains/(losses) on investments				
9	Share of profit of equity accounted investees	-	3,398,565	3,398,565	3,116,680
	Net realised losses on secured loans	-	-	-	(50,000)
15	Gain on buy-back of convertible loan notes	-	638,779	638,779	-
9	Revaluation of investment property	-	(15,302)	(15,302)	(14,690)
	Gain for the year on investments	**-**	**4,022,042**	**4,022,042**	**3,051,990**
	Finance charges				
15	Interest on mortgage loan	(26,595)	-	(26,595)	(26,823)
15	Interest on convertible loan note instruments	(704,566)	-	(704,566)	(317,919)
	Profit/(loss) for the year before taxation	**(1,110,059)**	**4,022,042**	**2,911,983**	**3,055,059**
7	**Taxation**	**(8,453)**	**-**	**(8,453)**	**-**
	Profit/(loss) for the year	**(1,118,512)**	**4,022,042**	**2,903,530**	**3,055,059**
	Other comprehensive income	-	-	-	-
	Total comprehensive income/(loss)	**(1,118,512)**	**4,022,042**	**2,903,530**	**3,055,059**
19	**Basic and diluted earnings/(loss) per ordinary share (pence)**	**(3.64)**	**13.08**	**9.44**	**10.78**

The total column of this statement represents the Group Statement of Comprehensive Income, prepared in accordance with IFRSs. The Supplementary revenue and capital return columns are prepared in accordance with the Board of Directors' agreed principles. All items derive from continuing activities.

The notes on pages 21 to 35 form an integral part of these financial statements.

Consolidated Statement of Assets and Liabilities

At 31 January 2012

Note		31 January 2012 £	31 January 2011 £
	Non-current assets		
9	Investment property	455,416	470,718
9, 10	Investments in equity accounted investees	28,405,400	28,786,835
10, 13	Loans to equity accounted investees and related companies	2,117,929	2,846,444
		30,978,745	**32,103,997**
	Current assets		
10, 12	Cash and cash equivalents	5,894,547	3,502,811
10	Trade and other receivables	97,028	62,745
		5,991,575	**3,565,556**
	Current liabilities		
10, 14	Trade and other payables	(2,019,308)	(918,057)
		(2,019,308)	**(918,057)**
	Net current assets	**3,972,267**	**2,647,499**
	Non-current liabilities		
10, 15	Convertible loan note instruments	(7,335,342)	(9,880,429)
10, 15	Bank loan	(455,416)	(470,718)
		(7,790,758)	**(10,351,147)**
	Net assets	**27,160,254**	**24,400,349**
	Equity		
16	Share capital	1,540,146	1,544,583
17	Share premium	1,815,385	1,815,385
	Capital reserve	(8,387,034)	(12,409,076)
	Revenue reserve	32,187,320	33,449,457
	Capital redemption reserve	4,437	-
	Total equity	**27,160,254**	**24,400,349**
	Net asset value per share (pence)	**89.19**	**79.21**

The financial statements were approved by the Board of Directors on 8 May 2012 and signed on its behalf by:

Clive Spears
Director

Robert Quayle
Director

The notes on pages 21 to 35 form an integral part of these financial statements.

Company Statement of Assets and Liabilities

At 31 January 2012

Note		31 January 2012 £	31 January 2011 £
	Non-current assets		
9, 10	Investments in equity accounted investees	28,405,400	28,786,835
10	Investment in subsidiaries at fair value through profit or loss	670	-
10, 11	Loan to subsidiary	45,655	110,100
13	Loans to equity accounted investees and related companies	2,117,929	2,846,444
		30,569,654	**31,743,379**
	Current assets		
10, 12	Cash and cash equivalents	5,879,231	3,445,270
10	Trade and other receivables	55,210	11,560
		5,934,441	**3,456,830**
	Current liabilities		
10, 14	Trade and other payables	(2,008,499)	(912,300)
		(2,008,499)	**(912,300)**
	Net current assets	**3,925,942**	**2,544,530**
	Non-current liabilities		
9	Investment in subsidiary at fair value through profit or loss	-	(7,131)
10, 15	Convertible loan note instruments	(7,335,342)	(9,880,429)
		(7,335,342)	**(9,887,560)**
	Net assets	**27,160,254**	**24,400,349**
	Equity		
16	Share capital	1,540,146	1,544,583
17	Share premium	1,815,385	1,815,385
	Capital reserve	(8,994,388)	(13,039,533)
	Revenue reserve	32,794,674	34,079,914
	Capital redemption reserve	4,437	-
	Total equity	**27,160,254**	**24,400,349**
	Net asset value per share (pence)	**89.19**	**79.21**

The financial statements were approved by the Board of Directors on 8 May 2012 and signed on its behalf by:

Clive Spears
Director

Robert Quayle
Director

The notes on pages 21 to 35 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 January 2012

Note		Share Capital	Share premium	Capital redemption reserve	Capital reserve	Revenue reserve	Total
		Year ended 31 January 2012					
		£	£	£	£	£	£
	Balance at 1 February 2011	1,544,583	1,815,385	-	(12,409,076)	33,449,457	24,400,349
	Total comprehensive income for the year	-	-	-	4,022,042	(1,118,512)	2,903,530
	Contributions by and distributions to owners						
	Cancellation of treasury shares	(4,437)	-	4,437	-	-	-
	Purchase of treasury shares	-	-	-	-	(143,625)	(143,625)
	Total transactions with owners	**(4,437)**	**-**	**4,437**	**-**	**(143,625)**	**(143,625)**
	Balance at 31 January 2012	**1,540,146**	**1,815,385**	**4,437**	**(8,387,034)**	**32,187,320**	**27,160,254**

Note		Share Capital	Share premium	Capital redemption reserve	Capital reserve	Revenue reserve	Total
		Year ended 31 January 2011					
		£	£	£	£	£	£
	Balance at 1 February 2010	1,327,075	-	-	(15,461,066)	33,479,183	19,345,192
	Total comprehensive loss for the year	-	-	-	3,051,990	3,069	3,055,059
	Contributions by and distributions to owners						
16	Shares issued	217,508	2,212,492	-	-	-	2,430,000
	Share issue costs	-	(397,107)	-	-	-	(397,107)
	Purchase of treasury shares	-	-	-	-	(32,795)	(32,795)
	Total transactions with owners	**217,508**	**1,815,385**	**-**	**-**	**(32,795)**	**2,000,098**
	Balance at 31 January 2011	**1,544,583**	**1,815,385**	**-**	**(12,409,076)**	**33,449,457**	**24,400,349**

The notes on pages 21 to 35 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 January 2012

Note		Share Capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Revenue reserve £	Total £
				Year ended 31 January 2012			
	Balance at 1 February 2011	1,544,583	1,815,385	-	(13,039,533)	34,079,914	24,400,349
	Total comprehensive income for the year	-	-	-	4,045,145	(1,141,615)	2,903,530
	Contributions by and distributions to owners						
	Cancellation of treasury shares	(4,437)	-	4,437	-	-	-
	Purchase of treasury shares	-	-	-	-	(143,625)	(143,625)
	Total transactions with owners	**(4,437)**	**-**	**4,437**	**-**	**(143,625)**	**(143,625)**
	Balance at 31 January 2012	**1,540,146**	**1,815,385**	**4,437**	**(8,994,388)**	**32,794,674**	**27,160,254**

Note		Share Capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Revenue reserve £	Total £
				Year ended 31 January 2011			
	Balance at 1 February 2010	1,327,075	-	-	(17,100,485)	35,118,602	19,345,192
	Total comprehensive loss for the year	-	-	-	4,060,952	(1,005,893)	3,055,059
	Contributions by and distributions to owners						
16	Shares issued	217,508	2,212,492	-	-	-	2,430,000
	Share issue costs	-	(397,107)	-	-	-	(397,107)
	Purchase of treasury shares	-	-	-	-	(32,795)	(32,795)
	Total transactions with owners	**217,508**	**1,815,385**	**-**	**-**	**(32,795)**	**2,000,098**
	Balance at 31 January 2011	**1,544,583**	**1,815,385**	**-**	**(13,039,533)**	**34,079,914**	**24,400,349**

The notes on pages 21 to 35 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 January 2012

Note		31 January 2012 £	31 January 2011 £
	Operating activities		
	Rental income received	53,167	69,117
	Interest income received	-	128,603
	Expenses paid	(620,981)	(766,414)
20	**Net cash used in operating activities**	**(567,814)**	**(568,694)**
	Investing activities		
	Receipts on disposal of investee company	-	400,000
	Receipts on disposal of equipment	20,000	17,500
	Loan advances to investee companies	-	(3,734,000)
	Loan repayments from investee companies	-	3,531,841
	Portfolio acquisition costs paid	(443,265)	(2,020)
	Cash of subsidiary transferred on acquisition of investment	-	(414,854)
	Receipts from associates and related companies	751,759	984,836
9	Capital distribution from associate	3,780,000	-
	Transfer from committed cash	-	5,407
	Net cash generated from investing activities	**4,108,494**	**788,710**
	Financing activities		
	Mortgage loan interest paid	(26,595)	(26,823)
15	Part payment of mortgage loan	(15,302)	(14,690)
	Convertible loan note issue costs	-	(17,845)
	Convertible loan note interest paid	(963,422)	-
16	Purchase of treasury shares	(143,625)	(32,795)
	Share issue expenses paid	-	(167,440)
	Net cash used in financing activities	**(1,148,944)**	**(259,593)**
	Increase/(decrease) in cash and cash equivalents	2,391,736	(39,578)
	Cash and cash equivalents at start of year	3,502,811	3,542,388
12	**Cash and cash equivalents at end of year**	**5,894,547**	**3,502,811**

The notes on pages 21 to 35 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 January 2012

1 Operations

The Company was incorporated with limited liability in the Isle of Man with the registered number 108834C on 25 July 2003. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM") and the Plus Stock Exchange ("PLUS"). The Company raised £30 million by a placing of ordinary shares at 100 pence per share. In 2009 the Company raised an additional £5 million by a placing of ordinary shares at 5 pence per share. During the year ended 31 January 2011 the Company issued a further £2.4 million in share capital.

The Company has two wholly owned subsidiary companies and has interests in two partnerships that are accounted for as associates. The partnerships comprise one limited liability partnership and one limited partnership. The Company also has an interest in a third partnership, ESO Investments 2 LP, through which new investments will be made. As at 31 January 2012, ESO Investments 2 LP had made no investments.

The principal activity of the Company and its subsidiaries (together "the Group") and its associates is to arrange income yielding financing for growth, buyout and special situations and holding the investments and its associates with a view to exiting in due course at a profit.

The consolidated financial statements comprise the results of the Company and its subsidiaries (the "Group") and its associates (see Notes 3(a) and 24).

The Company has no employees.

2 Basis of preparation

a Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) and applicable legal and regulatory requirements of Isle of Man law and reflect the following policies, which have been adopted and applied consistently.

The consolidated financial statements were authorised for issue by the Board of Directors on 8 May 2012.

b Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items:

- financial instruments at fair value through profit or loss are measured at fair value; and
- investment property is measured at fair value.

c Functional and presentation currency

These consolidated financial statements are presented in Sterling, which is the Company's functional currency. All financial information presented in Sterling has been rounded to the nearest pound.

d Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires Directors and the Investment Advisor to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The Directors have to the best of their ability, given the continuing uncertainty in the global economy, provided as true and fair a view as is possible under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Directors and the Investment Advisor in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year relate to impairment provisioning in connection with secured loans and valuations of unquoted equity investments. Due to the current market conditions, the level of estimation required in the valuation of unquoted equity investments and impairment provisions is increased due to a lack of reliable quoted market comparables and recent transaction comparables (Notes 9 and 21).

e Reclassification

The Company holds an interest as a limited partner in ESO Investments (PC) LLP (formerly ESO Investments 2 LLP), which is managed by EPIC Private Equity LLP. The Directors have resolved to reclassify this investment from a subsidiary to an equity accounted investee. The comparative figures have been reclassified accordingly.

3 Significant accounting policies

a Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company holds interests in ESO Investments 1 LP and ESO Investments (PC) LLP, which are managed and controlled by EPIC Private Equity LLP for the benefit of the Company and the other members. The Company has the power to appoint members to the investment committee of ESO Investments 1 LP and ESO Investments (PC) LLP but does not have the ability to direct the activities of ESO Investments 1 LP and ESO Investments (PC) LLP. The Directors consider that ESO Investments 1 LP and ESO Investments (PC) LLP do not meet the definition of subsidiaries.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Associates

Associates are those enterprises over which the Company has significant influence, and which are neither subsidiaries nor an interest in a joint venture. Significant influence is exerted when the Company has the power to participate in the financial and operating policy decision of the investee, but is not in control or joint control over those policies.

The Company applies the equity method in accounting for associates. The investment is initially measured at cost and the carrying amount is increased or decreased to recognise the Company's share of the associate's profit or loss.

b Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business and geographic area being arranging financing for growth, buyout and special situations in the United Kingdom. Information presented to the Board of Directors for the purpose of decision making is based on this single segment.

c Income

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is accounted for when the right to receive such income is established.

d Expenses

All expenses are accounted for on an accruals basis.

e Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purposes of meeting short-term cash commitments rather than for investments or other purposes.

f Investments

i Classification

Equity and preference share investments have been designated at fair value through profit and loss.

Financial assets that are designated as loans and receivables comprise loans and accrued interest and other receivables.

ii Recognition

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

iii Measurement

Equity and preference share investments including those held by associates are stated at fair value. Loans and receivables are stated at amortised cost less any impairment losses.

The Investment Advisor determines asset values using BVCA guidelines and other valuation methods with reference to Level 3 valuation principles of *IAS 39*. BVCA guidelines recommend the use of comparable quoted company metrics and comparable transaction metrics to determine an appropriate enterprise value, to which a marketability discount is applied given the illiquid nature of private equity investments. The Investment Advisor also seeks to confirm value using discounted cash flow and other methods of valuation, and by applying a range approach. The Investment Advisor then seeks to determine whether holding the investment at cost is appropriate given the implied value, or whether an adjustment should be made to achieve fair value: whether this be in the form of an impairment or a write-up.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. *IAS 39* provides a hierarchy to be used in determining the fair value for a financial instrument.

Quoted market prices in an active market are the best evidence of fair value and should be used, where they exist, to measure the financial instrument. If a market for a financial instrument is not active, an entity establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. If there is no active market for an equity instrument and the range of reasonable fair values is significant and these estimates cannot be made reliably, then an entity must measure the equity instrument at cost less impairment.

Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Financial assets that are not carried at fair value though profit and loss are subject to an impairment test. If expected life cannot be determined reliably, then the contractual life is used.

In the Company Statement of Assets and Liabilities the investments in subsidiaries and associates are stated at fair value, based on the net assets of the subsidiaries and associates respectively.

iv Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the profit or loss.

v Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with *IAS 39*.

The Company uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

g Investment property

Investment property is stated at fair value determined annually by the Directors. Any gain or loss arising from a change in fair value is recognised in the profit or loss. Rental income from investment property is accounted for on an accruals basis. Property interests held under operating leases for investment purposes are classified and accounted for as investment property.

h Share capital

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

i **Compound financial instruments**

Compound financial instruments issued by the Group comprise convertible loan note instruments that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains in relation to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised in equity net of any tax benefits.

j **Future changes in accounting policies**

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

New/Revised International Financial Reporting Standards (IAS/IFRS)	**Effective Date** (accounting periods commencing on or after)
IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (June 2011)	1 July 2012
IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets) (December 2010)	1 January 2012
IAS 19 Employee Benefits - Amendment resulting from the Post-Employment Benefits and Termination Benefits projects (as amended in June 2011)	1 January 2013
IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in May 2011)	1 January 2013
IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)	1 January 2013
IAS 32 Financial Instruments Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (December 2011)	1 January 2014
IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (October 2010)	1 July 2011
IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (December 2011)	1 January 2013
IFRS 7 Financial Instruments: Disclosures – Amendments requiring disclosures about the initial applicable of IFRS 9 (December 2011)	1 January 2015
IFRS 9 Financial Instruments - Classification and measurement of financial assets (as amended in December 2011)	1 January 2015
IFRS 9 Financial Instruments – Accounting for financial liabilities and derecognition (as amended in December 2011)	1 January 2015
IFRS 10 Consolidated Financial Statements (May 2011)	1 January 2013

IFRS 11 Joint Arrangements (May 2011)	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities (May 2011)	1 January 2013
IFRS 13 Fair Value Measurement (May 2011)	1 January 2013

IFRIC Interpretation	
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Directors are currently considering the impact that the application of IFRS 13, *Fair Value Measurement*, will have on the financial statements. They currently believe its application will impact disclosures in the financial statements but not the carrying value of investments. It is likely that greater detail will be required regarding the valuation methodologies for unquoted investments.

The Directors do not expect the adoption of the other standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

4 Interest Income

	2012	2011
	£	£
Cash balances	-	298
Secured loans	-	1,019,606
Total	**-**	**1,019,904**

5 Investment advisory, administration and performance fees

Investment advisory fees

EPE Special Opportunities plc

The management fee payable to EPIC Private Equity LLP was, until 31 August 2010, calculated at 2% of the Group's Net Asset Value ("NAV"), with a minimum of £325,000 payable per annum. On 31 August 2010, the Investment Advisor agreed to waive the fee from the Company in return for a priority profit share paid from ESO Investments 1 LP, as detailed below.

ESO Investments 1 LP

On the completion of the creation of ESO Investments 1 LP on 31 August 2010, the Investment Advisor agreed to waive entitlement to management fees from the Company and ESO Investments LLP in exchange for a fixed priority profit share paid by ESO Investments 1 LP of £800,000 per annum for the first two years (a year being calculated as ending on 31 August), £500,000 for the third year and £350,000 for the fourth and fifth years, thereafter in any subsequent period of the Partnership, such amount as may be agreed between the Partners. As from the next calendar day subsequent to the 31 August 2012, the payment of fees will resume at a rate of 2% per annum of the Company's NAV (including its share of the Fund) plus VAT.

ESO Investments LLP

On 31 August 2010 the Investment Advisor agreed to waive the fee from ESO Investments LLP in return for a priority profit share paid from ESO Investments 1 LP as detailed above.

Administration fees

On 30 November 2007 the Group entered into an agreement with IOMA Fund and Investment Management Limited ("IOMA"), for the provision of administration, registration and secretarial services. IOMA delegated the provision of accounting services to EHM International Limited. The fee is payable at a rate of 0.15% per annum of the Group's NAV.

Performance fees

EPE Special Opportunities plc

The Investment Advisory Agreement above also provides for the provision of a performance fee. The fee is payable if the Total Return (taken as NAV plus dividends distributed) is equal to at least 8% per annum from the date of admission of the Company's shares to AIM, based on the funds raised through the placing of shares and compounded annually. No performance fee has accrued for the year ended 31 January 2012-- (2010: £nil).

Carried interest in ESO Investments 1 LP

The distribution policy of ESO Investments 1 LP includes a carried interest portion retained for the Investment Advisor such that, for each investor where a hurdle of 8% per annum has been achieved, the carry vehicle of the Investment Advisor is entitled to receive 20% of the increase in that investor's investment. For the period ended 31 January 2012 £199,901 (31 January 2011: £1,915,940) has been credited to the carry account of the Investment Advisor in the records of ESO Investments 1 LP.

Carried interest in ESO Investments (PC) LLP

The Investment Advisor is entitled to receive 20% of the profits ESO Investments (PC) LLP where a hurdle of 8% has been achieved over the initial value of the investment. For the period ended 31 January 2012 £749,103 (31 January 2011: £nil) has been credited to the Investment Advisor.

6 Directors' fees

	2012	**2011**
	£	£
G.O. Vero (Chairman)	25,000	25,000
R.B.M. Quayle	25,000	25,000
C.L. Spears	25,000	25,000
N.V. Wilson	25,000	25,000
Sub-total	**100,000**	**100,000**
P. Scales	2,500	-
Total	**102,500**	**100,000**

Note: P. Scales is Company Secretary and a director of EPIC Reconstruction Property Company II Ltd.

7 Taxation

The Company is Isle of Man tax resident. The Company is subject to zero per cent. income tax (2011: zero per cent.).

EPIC Reconstruction Property Company II Limited is resident in England and Wales and subject to corporation tax at the standard UK corporation tax rate of 20% (2011: 20%).

The Limited Liability Partnerships and limited partnerships are transparent for tax purposes and tax is paid by the partners.

8 Dividends paid and proposed

No dividends were paid or proposed for the year ended 31 January 2012 (2011: £nil).

9 Non-current assets

	2012 Group £	2012 Company £	2011 Group £	2011 Company £
Investment property	455,416	-	470,718	-
Financial assets				
Investment in subsidiaries	-	670	-	-
Investments in equity accounted investees	28,405,400	28,405,400	28,786,835	28,786,835
Loans to associates and related companies (note 13)	2,117,929	2,117,929	2,846,444	2,846,444
Loan to subsidiary	-	45,655	-	110,100
	30,978,745	**30,569,654**	**32,103,997**	**31,743,379**

Investment property is stated at the Directors' considered valuation (see Note 15).

The Investment Advisor has applied appropriate valuation methods with reference to BVCA guidelines and the valuation principles of *IAS 39 Financial Instruments: Recognition and Measurement*. Underlying investments in the equity accounted investees are valued using these principles.

In accordance with *IFRS 7 Financial Instruments: Disclosures*, unquoted equity investments are classified as Level 3 investments (see Note 3g (iii)). The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy. Underlying equity investments held by ESO Investments 1 LP and ESO Investments (PC) LLP are also classified as Level 3 investments.

	2012 Group £	2012 Company £	2011 Group £	2011 Company £
Unquoted equity investments				
Opening balance	-	-	212,118	-
Transferred during the year	-	-	(212,118)	-
	-	**-**	**-**	**-**

Investment in equity accounted investee/associate

Investments in equity accounted investees comprise the investment in ESO Investments 1 LP and ESO Investments (PC) LLP (formerly ESO Investments 2 LLP) which are stated at cost plus the share of profit and loss to date. The equity accounted investees have accounted for their equity investments at fair value.

During the year, the Company received £3,780,000 from ESO Investments 1 LP. The movements in the equity accounted investees during the year are as follows:

	ESO Investments 1 LP £	ESO Investments (PC) LLP £	Total £
Investment in equity accounted investees			
Opening balance	27,659,601	1,127,234	28,786,835
Profit from equity accounted investees	1,395,909	2,002,656	3,398,565
Distribution from equity accounted investee	(3,780,000)	-	(3,780,000)
	25,275,510	**3,129,890**	**28,405,400**

Summary financial information for equity accounted investees as at 31 January 2012 is as follows:

	31 January 2012			31 January 2011		
	ESO Investments (PC) LLP	ESO Investments 1 LP	Total	ESO Investments (PC) LLP	ESO Investments 1 LP	Total
31 January 2011	£	£	£	£	£	£
Non-current assets	4,500,000	35,522,074	40,022,074	2,494,987	41,415,684	43,910,671
Current assets	100	7,648,418	7,648,518	5,113	5,470,649	5,475,762
Total assets	**4,500,100**	**43,170,492**	**47,670,592**	**2,500,100**	**46,886,333**	**49,386,433**
Current liabilities	(621,007)	(2,104,093)	(2,725,100)	(1,372,766)	(1,813,255)	(3,186,021)
Total liabilities	**(621,007)**	**(2,104,093)**	**(2,725,100)**	**(1,372,766)**	**(1,813,255)**	**(3,186,021)**
Group's share of net assets	**3,129,890**	**25,275,510**	**28,405,400**	**1,127,234**	**27,659,601**	**28,786,835**
Income	225,493	3,247,728	3,473,221	27,869	2,522,286	2,550,155
Gains on investments	2,528,750	105,484	2,634,234	1,099,365	7,395,769	8,495,134
Expenses	(2,484)	(226,560)	(229,044)	-	(5,027)	(5,027)
Profit	**2,751,759**	**3,126,652**	**5,878,411**	**1,127,234**	**9,913,028**	**11,040,262**
Group's share of profit	**2,002,656**	**1,395,909**	**3,398,565**	**1,127,234**	**2,499,922**	**3,627,156**

Note: The Group's share of profit in the Statement of Comprehensive Income in 2011 is net of portfolio acquisition costs of £510,476.

Key terms of LP Agreement for ESO Investments 1 LP

Profits or losses are credited or debited to each Member's account to reflect the distributions payable to each Member were the LP to be liquidated at its statement of financial position value.

Prior to the First Hurdle Point (being the point at which each member has received repayment of the loans advanced and a Hurdle amount being 8% per annum on the loan balances) distributions shall be made as:

- 37% to DES Holdings IV(A) LLC
- 63% to EPE Special Opportunities plc

At the First Hurdle Point for an investor an amount equal to 25% of the Hurdle shall be credited from that investor to EPE Carry LP. After the First Hurdle Point distributions shall be as stated above less 20% which shall be credited to EPE Carry LP until the Second Hurdle Point.

At the Second Hurdle Point, (being the point at which DES Holdings IV(A) LLC has received 1.5 times its loans advanced) distributions shall be made as;

- 25% to DES Holdings IV(A) LLC
- 75% to EPE Special Opportunities plc

Subject to a 20% allocation to EPE Carry LP in the event that the First Hurdle Point has been reached.

At the Third Hurdle Point, (being the point at which DES Holdings IV(A) LLC has received 2 times its loans advanced) distributions shall be made as;

- 18% to DES Holdings IV(A) LLC
- 82% to EPE Special Opportunities plc

Subject to a 20% allocation to EPE Carry LP in the event that the Second Hurdle Point has been reached.

10 Financial assets and liabilities

	2012 Group £	2012 Company £	2011 Group £	2011 Company £
Assets				
Financial assets at fair value through profit or loss – designated on initial recognition				
Investment in subsidiary at fair value	-	670	-	-
Investments in equity accounted investees	28,405,400	28,405,400	28,786,835	28,786,835
Financial assets at amortised cost				
Loans and receivables and cash balances	8,109,504	8,098,025	6,412,000	6,413,374
Total financial assets	**36,514,904**	**36,504,095**	**35,198,835**	**35,200,209**
Liabilities				
Financial liabilities measured at amortised cost				
Other financial liabilities	(2,474,724)	(2,008,499)	(1,388,775)	(912,300)
Convertible loan note instruments	(7,335,342)	(7,335,342)	(9,880,429)	(9,880,429)
Financial liabilities at fair value through profit or loss – designated on initial recognition				
Investments in subsidiaries at fair value	-	-	-	(7,131)
Total financial liabilities	**(9,810,066)**	**(9,343,841)**	**(11,269,204)**	**(10,799,860)**

Loans and receivables presented above represent secured loans, cash balances and accrued interest and other receivables as detailed in the Statement of Assets and Liabilities.

Other financial liabilities measured at amortised cost presented above represent accrued expenses, sundry creditors and bank loan, as detailed in the Statement of Assets and Liabilities.

11 Loan to subsidiary

	2012 £	2011 £
EPIC Reconstruction Property Company II Limited	45,655	110,100
	45,655	**110,100**

The loan to the subsidiary is unsecured, interest free and not subject to any fixed repayment terms.

12 Cash and cash equivalents

	2012 Group £	2012 Company £	2011 Group £	2011 Company £
Current and call accounts	5,894,547	5,879,231	3,502,811	3,445,270
	5,894,547	**5,879,231**	**3,502,811**	**3,445,270**

The current and call accounts and money market fund have been classified as cash and cash equivalents in the Consolidated Statement of Cash Flows.

13 Loans to equity accounted investees and related parties

	2012 Group £	2011 Group £	2012 Company £	2011 Company £
ESO Investments (PC) LLP	621,007	1,372,766	621,007	1,372,766
ESO Investments 1 LP	938,381	915,137	938,381	915,137
EPIC Structured Finance Limited	558,541	558,541	558,541	558,541
	2,117,929	**2,846,444**	**2,117,929**	**2,846,444**

The loans to equity accounted investees and related companies are unsecured, interest free and not subject to any fixed repayment terms.

14 Trade and other payables

	2012 Group £	2012 Company £	2011 Group £	2011 Company £
Accrued crest fee	-	-	4,168	4,168
Accrued administration fee	5,006	5,006	18,617	18,617
Accrued audit fee	21,070	18,320	25,320	22,500
Accrued professional fee	16,319	8,260	133,017	130,080
Convertible loan note buy-back (note 15)	1,955,246	1,955,246	-	-
Accrued Directors' fees	21,667	21,667	9,167	9,167
Acquisition fees payable	-	-	419,974	419,974
Convertible loan note instrument interest	-	-	307,794	307,794
Total	**2,019,308**	**2,008,499**	**918,057**	**912,300**

Note: Acquisition fees payable relate to fees outstanding from the acquisition of the private equity portfolio of EPIC plc in August 2010.

15 Non-current liabilities

	2012 Group £	2012 Company £	2011 Group £	2011 Company £
Investment in subsidiary	-	-	-	7,131
Convertible loan note instruments	7,335,342	7,335,342	9,880,429	9,880,429
Mortgage loan	455,416	-	470,718	-
	7,790,758	**7,335,342**	**10,351,147**	**9,887,560**

The mortgage bank loan bears interest at LIBOR plus 4.5% margin per annum calculated on a daily basis subject to a maximum of 12.9% per annum. The loan is secured on investment property valued in the financial statements at £455,416 (2011: £470,718). The loan expiry date is May 2029.

Convertible loan note instruments were issued on 31 August 2010 to The Equity Partnership Investment Company plc. The notes carry interest at 7.5% per annum and are convertible at the option of the holder at a price of 170 pence per ordinary share. The convertible shares fall under the definition of compound financial instruments within *IAS 32 Financial Instruments: Presentation.* The Directors are required to assess the element of liability contained with the compound instrument. The Directors consider that the instrument has no equity element.

Issue costs of £129,696 were offset against the value of the convertible loan note instruments and are being amortised over the life of the instrument at an effective interest rate of 0.24% per annum. A total of £48,937 was expensed in the year ended 31 January 2012 (2011: £10,125).

The convertible loan notes are repayable on 31 December 2015 unless the shareholders of the Company pass a resolution on or before 30 September 2015 for the continuation of the Company beyond 31 December 2016, in which case the final repayment date shall be 31 December 2016, but each Noteholder has the right to require the redemption of some or all of his notes on 31 December 2015 by providing the Company written notice up to the close of business on 30 November 2015. On 27 January 2012 the Company repurchased £2,594,025 of the convertible loan note instrument for a total consideration of £1,955,246 giving rise to a gain recognised in the statement of comprehensive income of £638,779. After this transaction there are £7,405,975 convertible loan notes in issue.

16 Share capital

	2012 Number	2012 £	2011 Number	2011 £
Authorised share capital				
Ordinary shares of 5p each	33,000,000	1,650,000	33,000,000	1,650,000
Called up, allotted and fully paid				
Ordinary shares of 5p each	30,802,911	1,540,146	30,891,577	1,544,583
Ordinary shares of 5p each held in treasury	(351,271)	-	(88,750)	-
	30,451,640	**1,540,146**	**30,802,827**	**1,544,583**

During the year ended 31 January 2012 the Company purchased 351,271 (2011: 88,750) shares at a weighted average price of 40.89 pence per share, these are held in treasury. 88,750 shares held in treasury were cancelled during the year.

17 Share premium

The share premium arose on the issue of the ordinary shares and represented the difference between the price at which the shares were issued and the par value (5 pence).

18 Basic and diluted earnings/(loss) per share (pence)

Basic and diluted earnings per share is calculated by dividing the profit for the Group and Company for the year attributable to the ordinary shareholders of £2,903,530 (2011: £3,059,059) divided by the weighted average number of shares outstanding during the year of 30,732,408 after excluding treasury shares (2011: 28,348,894 shares).

19 Net asset value per share (pence)

The Group and Company net asset value per share is based on the net assets of the Group and Company at the year end of £27,160,254 (2011: £24,400,349) divided by the shares in issue at the end of the year of 30,451,640 after excluding treasury shares (2011: 30,802,827).

20 Net cash used in operating activities

Reconciliation of net investment income/expense to net cash used in operating activities:

	2012 £	2011 £
Net investment income/(expense)	(378,898)	347,811
Movement in trade and other receivables	(66,895)	(886,800)
Movement in trade and other payables	(122,021)	(29,705)
Net cash used in operating activities	**(567,814)**	**(568,694)**

21 Financial instruments

The Group's financial instruments comprise:

- Investments in unlisted companies, comprising equity and loans that are held in accordance with the Group's investment objectives;
- Cash and cash equivalents, bank loan and convertible loan note instruments; and
- Accrued interest and other receivables, accrued expenses, sundry creditors and convertible loan notes..

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. None of those risks are hedged. These risks arise through directly held investments and activities of the Group and through the indirect exposures created by the underlying investments in the associate. These risks are managed by the Directors in conjunction with the Investment Advisor. The Investment Advisor is responsible for day to day management.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's liquid assets comprise cash and cash equivalents which are readily realisable and a term deposit account.

Residual contractual maturities of financial liabilities:

31 January 2012	Less than 1 month £	1-3 months £	3 months to 1 year £	1 - 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	2,019,308	-	-	-	-	-
Convertible loan note instruments	-	-	-	7,335,342	-	-
Bank loan	-	-	-	-	455,416	-
Total	**2,019,308**	**-**	**-**	**7,335,342**	**455,416**	**-**

31 January 2011	Less than 1 month £	1-3 months £	3 months to 1 year £	1 - 5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	918,057	-	-	-	-	-
Convertible loan note instruments	-	-	-	9,880,429	-	-
Bank loan	-	-	-	-	470,718	-
Total	**918,057**	**-**	**-**	**9,880,429**	**470,718**	**-**

Note: £1,955,246 of the trade and other payables balance of £2,019,308 is comprised of the consideration for the repurchase of 2,594,025 convertible loan notes which was in process but not yet settled as at 31 January 2012 (see Note 15).

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group.

The Group had advanced loans to a number of private companies which exposes the Group to significant credit risk. The loans are advanced to unquoted private companies, which have no credit risk rating. They are entered into as part of the investment strategy of the Group and credit risk is managed by taking security where available (typically a floating charge) and the Investment Advisor taking an active role in the management of the borrowing companies.

Although the Investment Advisor looks to set realistic repayment schedules, it does not necessarily view a portfolio company not repaying on time and in full as 'underperforming' and seeks to monitor each portfolio company on a case-by-case basis. However, in all cases the Investment Advisor reserves the right to exercise step in rights. In addition to the repayment of loans advanced, the Group will often arrange additional preference share structures and take significant equity stakes so as to create shareholder value. It is the performance on the combination of all securities including third party debt that determines the Group's view of each investment.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	2012	**2011**
	£	£
Cash and cash equivalents	5,894,547	3,502,811
Trade and other receivables	97,028	62,745
Loans to equity accounted investees and related companies	2,117,929	2,846,444
Total	**8,109,504**	**6,412,000**

Cash balances are placed with Royal Bank of Scotland International in Jersey and Barclays Bank plc.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to a market price risk via its equity investments, which are stated at fair value with gains and losses recognised in the Statement of Comprehensive Income.

Market price risk sensitivity

The Group is exposed to market price risk with regard to its investment in the partnerships, which own equity interests in a number of unquoted companies which are stated at fair value.

Interest rate risk

The Group is exposed to significant interest rate risk through its investment in the partnerships and on its cash balances.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

31 January 2012	Less than 1 month £	1-3 months £	3 months to 1 year £	1 - 5 years £	Over 5 years £	Non-interest bearing £	Total £
Assets							
Loans and receivables							
Loans to equity accounted investees and related companies	-	-	-	-	-	2,117,929	2,117,929
Trade and other receivables	15,893	-	-	-	-	81,135	97,028
Cash and cash equivalents	5,894,547	-	-	-	-	-	5,894,547
Total financial assets	**5,910,440**	**-**	**-**	**-**	**-**	**2,199,064**	**8,109,504**
Liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	-	-	-	-	-	(2,019,308)	(2,019,308)
Convertible loan note instruments	-	-	-	(7,335,342)	-	-	(7,335,342)
Bank loan	-	-	-	-	(455,416)	-	(455,416)
Total financial liabilities	**-**	**-**	**-**	**(7,335,342)**	**(455,416)**	**(2,019,308)**	**(9,810,066)**
Total interest rate sensitivity gap	**5,910,440**	**-**	**-**	**(7,335,342)**	**(455,416)**	**-**	**-**

31 January 2011	Less than 1 month £	1-3 months £	3 months to 1 year £	1 - 5 years £	Over 5 years £	Non-interest bearing £	Total £
Assets							
Loans and receivables							
Loans to equity accounted investees and related companies	-	-	-	-	-	2,846,444	2,846,444
Trade and other receivables	-	-	-	-	-	62,745	62,745
Cash and cash equivalents	3,502,811	-	-	-	-	-	3,502,811
Total financial assets	**3,502,811**	**-**	**-**	**-**	**-**	**2,909,189**	**6,412,000**
Liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	-	-	-	-	-	(918,057)	(918,057)
Convertible loan note instruments	-	-	-	(9,880,429)	-	-	(9,880,429)
Bank loan	-	-	-	-	(470,718)	-	(470,718)
Total financial liabilities	**-**	**-**	**-**	**(9,880,429)**	**(470,718)**	**(918,057)**	**(11,269,204)**
Total interest rate sensitivity gap	**3,502,811**	**-**	**-**	**(9,880,429)**	**(470,718)**	**-**	**-**

Interest rate sensitivity

The Group is exposed to market interest rate risk via its cash balances. A sensitivity analysis has not been provided as it is not considered significant to Group performance.

Currency risk

The Group has no exposure to currency risk as it has no non-sterling assets or liabilities.

Fair values

Financial instruments are considered to be stated at fair value except for secured loans and the bank loan, which carry a fixed interest rate and are stated at amortised cost.

22 Directors' interests

Two of the Directors have interests in the shares of the Company as at 31 January 2012 (2011: two). Geoffrey Vero holds 40,000 ordinary shares (2011: 40,000). Nicholas Wilson holds 20,000 ordinary shares (2011: 20,000).

23 Related parties

Mr Geoffrey Vero is a non-executive Director of Numis Corporation plc and a former non-executive Director of Numis Securities Limited, the Nominated Advisors, Brokers and Placing Agent to the Company. Broker fees of £26,257 (2011: £30,000) were payable to Numis Securities Limited.

Giles Brand, a partner in the Investment Advisor owns 16.98% (2011: 10.3%) of the ordinary share capital in the Company.

The Principals of the Investment Advisor co-invest in certain portfolio companies invested in by Group Companies.

24 Subsidiary companies

On 30 December 2004, the Company incorporated EPIC Reconstruction Property Company II Limited in England and Wales, with paid up share capital of £1.

On 29 October 2005, the Company incorporated EPIC Reconstruction Property Company (IOM) Limited, in the Isle of Man.

25 Financial commitments and guarantees

Under the terms of the limited partnership agreement the Company is committed to provide a maximum of £2.0 million additional investment to ESO Investments 1 LP.

The Company provides certain guarantees to Lloyds TSB Bank plc ("Lloyds") on the facilities that Lloyds provides to Past Times Trading Limited. Past Times Trading Limited entered administration on 16 January 2012. Final settlement by Lloyds of letters of credit claims and the release of the guarantees are expected in the second quarter of 2012 with no call expected on the guarantee.

26 Subsequent events

On 29 February 2012 the Company purchased 1,009,871 shares in the Company at an average price of 46 pence per share, these shares will be held in treasury.

Schedule of shareholders holding over 3% of issued shares

	Percentage holding
Giles Brand	16.98%
Brit Insurance	13.43%
The Corporation of Lloyds	8.76%
Nortrust Nominees Limited	7.72%
SG as Principal	5.27%
BNY (OCS) Nominees Limited	4.95%
Hoares Bank	4.73%
Milton Asset Management	4.72%
Northern Trust	3.88%
Henderson Global Investors	3.83%
Renaissance Capital Partners Limited	3.28%
Close Summit Trust Company	3.15%
Total over 3% holding	**80.70%**

Group Information

Directors:	G.O. Vero (Chairman) R.B.M. Quayle C.L. Spears N.V. Wilson
Secretary:	P.P. Scales
Registrar and Registered Office:	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas Isle of Man IM1 1AP
Nominated Advisor and Broker:	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Bankers:	Barclays Bank PLC 1 Churchill Place Canary Wharf London E14 5HP
Investment Advisor:	EPIC Private Equity LLP Audrey House 16-20 Ely Place London EC1N 6SN
Auditors and Reporting Accountants:	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN
Crest Providers:	Computershare Investor Services (CI) Limited Ordnance House 31 Pier Road St Helier Jersey JE4 8PW

EPE Special Opportunities plc
Registered in the Isle of Man number 108834C. EPE Special Opportunities plc is listed on the Alternative Investment Market and the Plus Stock Exchange and is advised by EPIC Private Equity LLP.